

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Developing an Unified Inter-carrier Compensation Regime)	CC Docket No. 01-92
)	
Federal-State Joint Board on Universal Service		CC Docket No. 96-45
Lifeline and Link-up		WC Docket No. 03-109
Universal Service Reform – Mobility Fund		WT Docket No. 10-208

**REPLY COMMENTS
of the
OKLAHOMA TELEPHONE ASSOCIATION**

I. INTRODUCTION

- A. The Oklahoma Telephone Association (OTA) has thirty-six (36) member Rural Local Exchange Carriers (RLECs) and approximately 120 Associate Member companies which provide products and services to the member companies. The OTA member companies are located in predominately the most rural areas of Oklahoma and serve approximately 142,900 access lines, or about fifteen (15) percent of the access lines in the state. Their service territories account for approximately fifty-six (56) percent of the geographic area of the state. These companies range in size from 111 access lines to about 46,000 access lines. Three of the member companies are owned by the TDS Corporation and one is a subsidiary of Fairpoint Corporation. The remaining thirty two (32) companies are either private family-owned companies or cooperatives.
- B. The OTA members have been genuinely concerned about numerous provisions of the National Broadband Plan (NBP or Plan) since its release in 2010. Unfortunately, as more information has

become available about the implementation of the NBP, the uncertainty in the industry has become more prevalent. The recent FCC USF/ICC Order has caused our initial concerns to grow even stronger. The member companies of OTA not only provide essential communication services to many of the rural areas of Oklahoma, but also provide much of the local leadership in the community, both financially and personally. They serve on the local school boards, hospital boards, bank boards, and fulfill many other civic roles throughout the state.

II. **DISCUSSION**

- A. After careful consideration, the OTA concurred in the RLEC Plan filed with the FCC in April, 2011. The OTA thinks the RLEC Plan made the appropriate recommendations to implement the NBP to obtain the stated goals of the Plan, while insuring the viability of the RLECs. The OTA member RLECs have already made great strides to provide the type of broadband services proposed in the Plan. In the areas served by the OTA member companies, several provide over 90 % of their subscribers with access to high speed broadband service.
- B. The OTA continues to support the RLEC Plan, as modified and included in the consensus framework filed by the National Telecommunications Cooperative Association (NTCA), the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO), the Western Telecommunications Alliance (WTA), and six large Price Cap Carriers on July 29, 2011. While the OTA certainly would have preferred to see the April 2011 RLEC Plan remain unchanged, the OTA supports the consensus framework approach as it presents a reasonable path toward sustainable broadband and regulatory certainty.
- C. Our companies committed to long term loans to provide needed services to the rural communities they serve. They made these commitments with the understanding that the current levels of support, which have been in place for several decades, would continue to be available to insure these services remain available to those who need them. The consensus approach, as recommended, would sustain the RLECs ability to repay the long term loans to the RUS and other financial institutions who have invested in rural Oklahoma. Under the current provisions of the FCC USF/ICC Order, and the considerations in the FNPRM, those loans may be in jeopardy.
- D. In an industry that was already suffering from uncertainty, caused by unknown, but pending federal regulation, and not true market conditions; the FCC Order has confirmed many of those fears. Several of our companies have committed to long term loans in order to reach the level of broadband and other services currently available in their service areas. The FCC's order has definitely changed the rules of the game. This concern was made crystal clear in the Rural Utilities Service (RUS) filing with the FCC. In that filing, RUS demonstrated the estimated money that could be lost in failed loans if the FCC implemented an order that drastically impacted the current revenue structure of the rural LECs. We now have evidence that the concern expressed by the RUS is, in fact, realistic. Four Oklahoma rural LECs have rescinded their BIP awards after reviewing the new FCC Order. The total value of those BIP awards amounted to \$109.3 million. Since the BIP award process is competitive, it is evident that the investment in rural Oklahoma was justified and needed to provide broadband services to those rural areas. Now; however, due to the concerns of those four companies about the effects of the FCC order, those investments will not be made. Upon further review, others may take similar actions. For the customers and communities in those very rural areas, the promises and ideals stated in the FCC National Broadband Plan might never be realized.

- E. The economic concerns expressed by the member companies of the OTA have, unfortunately, become reality to a great extent. The FCC order implements challenging cuts, caps, and constraints that will inhibit the local carriers' ability to invest in and maintain their networks in the future. Traditional revenue streams, which were originally implemented for substantiated reasons, have been eliminated or severely reduced. Many of the changes were based solely upon hopes or unsubstantiated reasoning on what may be the future of communications. It would appear to be a big gamble to determine if these assumptions become reality in the rural areas of Oklahoma and the nation. There was a system in place that worked effectively in providing both traditional and new services in rural areas. But even with that consideration, the RLEC proposal, and as modified by the Consensus Framework, proposed several revisions in an attempt to accomplish the objectives set out by the FCC. Unfortunately, those recommendations, for the most part, have been ignored.
- F. The uncertainty in the industry; that was created early on in this process, has unfortunately become a reality for the rural local exchange companies. This uncertainty makes it difficult, if not impossible, for rural carriers to plan for and commit to the substantial broadband infrastructure investments that will be necessary to bring high-speed broadband services to consumers living in remote and costly-to-serve areas of Oklahoma.
- G. The OTA supports and concurs in the FNPRM Comments filed by NECA, NTCA, OPASTCO, and WTA on January 18, 2012. We will not duplicate the arguments or rationale for those recommendations in these comments. But we do encourage the FCC to give serious consideration to the concerns and recommendations expressed in that filing.
- H. An estimate of the impact of the NBP on both the local communities in Oklahoma served by the OTA member companies, as well as the state as a whole, has been performed by the Steven C. Agee Economic Research and Policy Institute – Oklahoma City University. The study, titled “Estimating the Impacts of the National Broadband Plan on Local Exchange Carriers in Rural Oklahoma” (Oklahoma Economic Impact Study) is included as Attachment A to this filing. The study estimates the RLECs will lose over 1,000 employees over the five-year period from 2012 – 2016 with direct losses of nearly \$50 million in wages. Based on the RIMS II employment multiplier, an additional 2,000 employees will be impacted statewide resulting in lost wages of over \$123 million. These lost wages would translate into a reduction of \$2.8 million in statewide sales tax collections. The study also estimates a loss of over \$1.5 million in property tax revenues to local governments over the 5-year period. In addition, it is also estimated that the state of Oklahoma would lose \$6.5 million in personal income tax collections for the five-year period.
- I. While the Oklahoma Economic Impact Study was based upon the original NBP proposals, many of the concerns and projections stated in the study would have relevance to the provisions stated in the FCC USF/ICC Order. As previously stated, uncertainty in the RLEC industry has a very negative impact on the operations of Oklahoma RLECs. The OTA has finite resources and cannot perform an economic impact study on every iteration of this process. Therefore, we think the Oklahoma Economic Impact Study has relevance and adequately points out the economic impacts of the FCC USF/ICC Order and possible further actions in the FMPRM on the Oklahoma RLECs, the communities they serve, and the state of Oklahoma.

III. CONCLUSION

The uncertainty caused by the FCC since the announcement of the NBP has had very negative, and now potentially devastating, impacts on the RLEC industry in Oklahoma. The progress in Broadband deployment in recent years has been halted or slowed due to the uncertainty in the industry for the future. The impacts of the FCC Order need to be addressed and settled before additional FMPRM provisions are implemented. As with any other industry in this type of turmoil, it would be best to let the market have time to adjust to the previously ordered changes. The RLECs have proposed a very reasonable implementation program for the industry, which would realize the objectives of the NBP for the entire nation, including the rural areas. We ask for your consideration and implementation of the RLEC plan for the remaining issues to be addressed by this Commission.

/S/ Larry D. Jones
President
Oklahoma Telephone Association

ATTACHMENT A

Oklahoma Economic Impact Study